

# Overview



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# Introduction to the FY 2005 Budget and Financial Plan

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The District of Columbia has what is arguably the most complex government in the United States.

In one entity, the District government provides services typically delivered elsewhere by states, counties, cities, and special taxing districts. The challenge for the District is to navigate this jurisdictional complexity while facing declining revenues and increasing service needs. Totalling \$6.245 billion, the FY 2005 Proposed Budget and Financial Plan is \$546 million more than the FY 2004 budget of \$5.700 billion, not including Intra-District funding or Enterprise Fund agencies. The budget funds services as diverse as street cleaning, affordable multifamily housing devel-

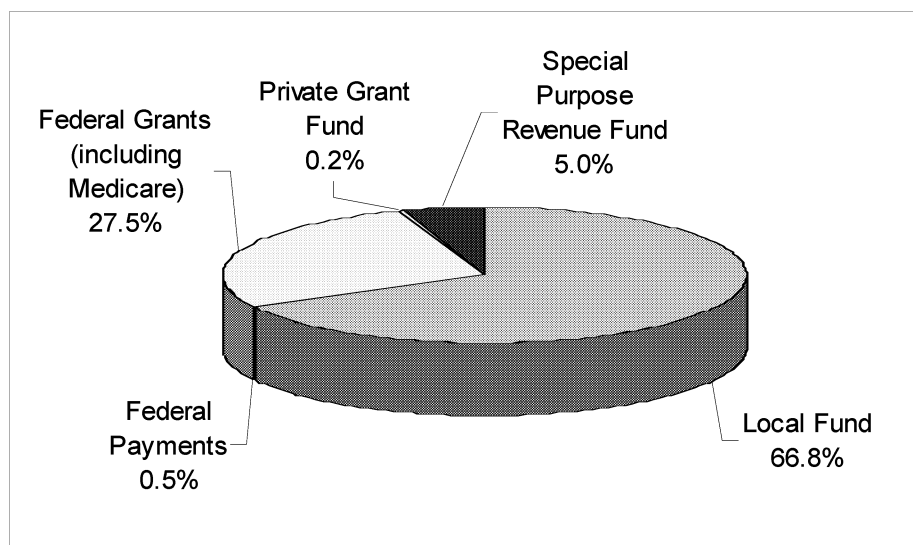
opment, voter registration, business inspection, fire fighting, police patrol, running a lottery, managing a vast multimodal transit system, educating children, promoting economic development, encouraging people to move into the District, and protecting at-risk youth.

The District's proposed budget is similar to any other budget in that it identifies resources (revenues) and uses (expenditures) to accomplish specific purposes developed by citywide strategic planning and departmental business planning. In addition to these basic elements, the proposed

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Chart 1-1

## Where the Money Comes From - Total Gross Funds FY 2005 \$6.25 Billion



budget includes a financial forecast for the Mayor and the District Council's policy priorities and detailed cost information for agency programs and activities.

As the FY 2005 budget formulation process began, the District projected \$4.268 billion in expenditures and only \$4.018 billion in anticipated revenue, creating a baseline gap of \$250 million. An additional \$40 million in requested program enhancements brought the total budget gap to \$290 million.

A combination of strategies was used to balance the budget and produce a \$5 million surplus, including \$122 million in financial transfers, \$62 in expenditure reductions, \$18 million in local funds transfers and \$93 million in revenue increases. For the first time, a majority of the reductions were accomplished through programmatic decisions made possible because of agencies' performance-based budget structures.

## Where the Money Comes From

Money for providing District services comes from a variety of sources. The District's general fund consists of Local and Special Purpose Revenue funds. Federal grants, federal Medicaid, and federal payments constitute the District's federal resources. Private resources make up the balance of the District's gross funds (chart 1-1).

Local tax revenue accounts for most of the money supporting services and includes such common sources as income, property, and sales taxes (chart 1-2). Detailed revenue information, including historical trends, FY 2005 revenue estimates and projection assumptions are included in the revenue chapter of this budget book.

## How the Money is Allocated

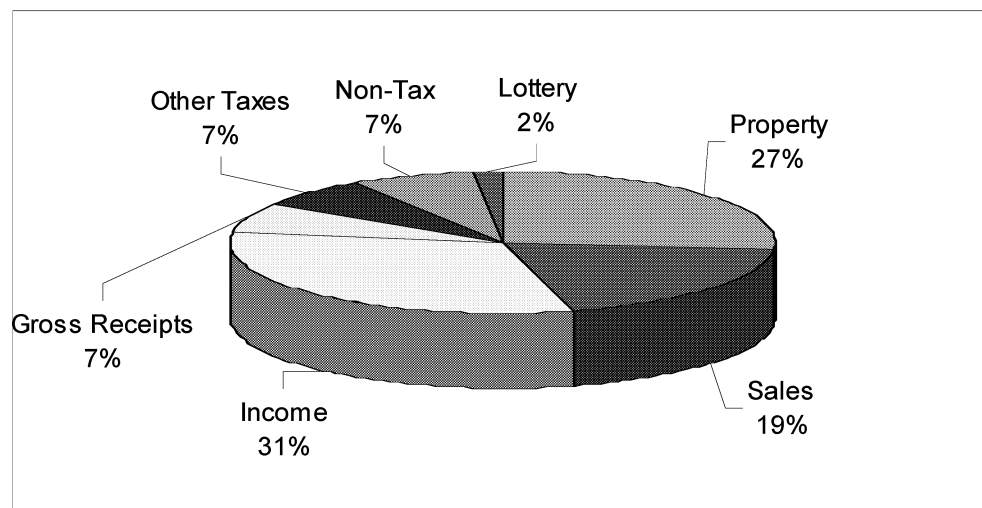
To facilitate policy decisions concerning expenditures and to provide summary information for reporting expenditures, the District's budget is developed, presented, and executed along several lines. These include fund types, appropriation titles, agencies, programs, and expense categories.

As with revenues, expenditures can be grouped by the source of funds. The total of these funds is referred to as gross funds. The proposed gross funds budget for FY 2005 is \$6.245 billion, \$546 million more than the FY 2004 approved budget of \$5.700 billion. For purposes of appropriating the District's budget, agency budgets are grouped by function, such as public safety or public education. Table 1-1 shows the FY 2005 proposed gross funds expenditures budget by appropriation title.

Table 1-2 depicts the Local funds budget by appropriation title. This budget, supported by locally generated revenue, represents 67 percent

Chart 1-2

### Where the Money Comes From - Local Fund FY 2005 \$3.99 Billion(Excluding Federal Project Funds)



Note: The above chart excludes fund balance and proposed revenue enhancements.

Table 1-1

**FY 2005 Gross Funds Expenditures**

(Dollars in Thousands)

	<b>FY 2004 Approved Budget*</b>	<b>FY 2005 Proposed Budget</b>	<b>Change</b>	<b>% Change</b>
Governmental Direction and Support	278,104	405,938	127,834	46.0
Economic Development and Regulation	276,648	315,631	38,983	14.1
Public Safety and Justice	747,748	798,363	50,615	6.8
Public Education System	1,168,429	1,230,046	61,617	5.3
Human Support Services	2,379,707	2,605,010	225,303	9.5
Public Works	330,527	329,939	-588	-0.2
Financing and Other	518,730	560,556	41,826	8.1
<b>Total</b>	<b>5,699,894</b>	<b>6,245,485</b>	<b>545,591</b>	<b>9.6</b>

\*Note: The University of the District of Columbia (UDC) is budgeted as a component unit in FY 2005. Therefore, its local budget is included in the FY 2004 budget column and its non-local budget is excluded from the FY 2004 budget to make it comparable with the UDC subsidy in the FY 2005 proposed budget. Adding UDC's non-local budget in the amount of \$32,005 (in thousands) to the total for the FY 2004 column equals the FY 2004 approved budget of \$5,731,898. Thus, the FY 2005 proposed budget is actually 9.0 percent higher than the FY 2004 approved budget.

Table 1-2

**FY 2005 Local Funds Expenditures**

(Dollars in Thousands)

	<b>FY 2004 Approved Budget</b>	<b>FY 2005 Proposed Budget</b>	<b>Change</b>	<b>% Change</b>
Governmental Direction and Support	206,824	258,257	51,434	24.9
Economic Development and Regulation	53,336	55,584	2,247	4.2
Public Safety and Justice	716,715	765,324	48,609	6.8
Public Education System	962,941	1,048,316	85,374	8.9
Human Support Services	1,085,277	1,208,418	123,140	11.3
Public Works	308,029	299,826	-8,203	-2.7
Financing and Other	499,612	536,966	37,355	7.5
<b>Total</b>	<b>3,832,734</b>	<b>4,172,690</b>	<b>339,956</b>	<b>8.9</b>

of the gross budget and increased by nine percent from FY 2004. The largest appropriation titles, Public Education System and Human Support Services, represent 54 percent of the Local funds budget - meaning over one-half of every dollar generated locally is directed to just these two areas.

Within the appropriation titles are the agencies that operate the programs, activities, and services provided to District citizens and businesses. For example, the Public Works appropriation title includes the Department of Public Works, the Department of Transportation, and the Department of Motor Vehicles. The FY 2005 proposed budget includes 108 agencies dispersed across eight appropriation titles.

To provide context as to the types of expenses for a particular program, information is presented by expense category. Table 1-3 shows the entire Local funds budget by expense category. These same categories are used by all District agencies. Specific agency costs by expense category are included in the agency chapters of this budget book.

The largest expense category for the District is personal services, totaling \$1.6 billion and representing 37.5 percent of the Local funds budget. This funding will support 26,050 local full-time equivalent (FTE) positions, a decrease of 195 FTEs, or 0.7 percent from FY 2004 (see table 1-4). Including all fringe benefits, but excluding extra compensation like overtime and shift dif-

Table 1-3

**FY 2005 Local Funds Expenditures (By Category)**

(Dollars in Thousands)

	FY 2004 Approved Budget*	FY 2005 Proposed Budget	Change	% Change
Continuing Full Time Pay	1,132,325	1,217,503	85,178	7.5
Regular Pay - Other	94,390	85,409	-8,981	-9.5
Additional Gross Pay	29,849	33,110	3,261	10.9
Fringe Benefits	182,687	194,231	11,543	6.3
Overtime Pay	38,170	36,191	-1,979	-5.2
<i>Personal Services</i>	<i>1,477,422</i>	<i>1,566,443</i>	<i>89,022</i>	<i>6.0</i>
Supplies and Materials	45,450	50,624	5,174	11.4
Energy, Comm., and Bldg. Rentals	55,247	61,568	6,321	11.4
Telephone, Telegraph, Telegram, Etc.	26,554	33,046	6,492	24.4
Rentals - Land and Structures	76,140	72,527	-3,613	-4.7
Janitorial Services	6,915	5,148	1,766	-25.5
Security Services	17,220	23,171	5,950	34.6
Occupancy Fixed Costs	0	6,693	6,693	n/a
Other Services and Charges	110,712	125,359	14,647	13.2
Contractual Services - Other	324,338	395,248	70,910	21.9
Subsidies and Transfers	1,302,408	1,398,480	96,072	7.4
Equipment & Equipment Rental	45,687	46,523	836	1.8
Debt Service	344,641	387,861	43,220	12.5
<i>Nonpersonal Services</i>	<i>2,355,312</i>	<i>2,606,247</i>	<i>250,934</i>	<i>10.7</i>
<b>Total</b>	<b>3,832,734</b>	<b>4,172,690</b>	<b>339,956</b>	<b>8.9</b>

\*Note: The Local funds subsidy to the University of the District of Columbia (UDC) is budgeted in the subsidies and transfers line in FY 2005. Thus, for presentation purposes its FY 2004 approved Local budget is presented in the subsidies and transfers line of the FY 2004 column.

Table 1-4

**FY 2005 FTEs, by Appropriation Title (Local Funds)<sup>1</sup>**

	FY 2004 Approved Budget**	FY 2005 Proposed Budget	Change	% Change
Governmental Direction and Support	2,314	2,322	8	0.3
Economic Development and Regulation	490	413	-77	-15.7
Public Safety and Justice	7,429	7,722	293	3.9
Public Education System	9,959	9,185	-774	-7.8
Human Support Services	4,036	4,325	289	7.2
Public Works	1,475	1,529	54	3.7
Enterprise and Other	541	554	13	2.4
<b>Total</b>	<b>26,245</b>	<b>26,050</b>	<b>-195</b>	<b>-0.7</b>

<sup>1</sup> Appendix P provides the General Fund's FTE levels for FY 2003 through 2005 for each agency, while Appendix Q provides the Gross Funds FTE levels for the same period. Table 1-4 describes the changes in FTEs by appropriation title. Table 1-5 shows the major changes in Gross funds FTEs for FY 2005.

\*\* UDC's FY 2004 FTEs are presented in the Enterprise and Other line to be comparable with its FY 2005 status as a component unit.

Table 1-5

**Major FTE Changes (Gross Funds)**

<b>Governmental Direction and Support</b>		
Customer Service Operations	-30	Transfer to Office of Unified Communications
Office of the Chief Technology Officer	51	New positions to manage operating projects converted from ca
Office of Property Management	-81	Transfer to Metropolitan Police Department
Office of the Corporation Counsel	-43	Elimination of unfunded positions and alignment of budget to agency's Schedule A
<b>Economic Development</b>		
Department of Employment Services	-21	Elimination of unfunded positions (-7) Loss of a Workforce Investment Act grant (-14)
Department of Consumer and Regulatory Affairs	-15	Transfer of positions to the Office of Administrative Hearings
Department of Banking and Financial Institutions	-25	Merge with Department of Insurance and Securities Regulation
Department of Insurance and Securities Regulation	22	Addition of former Department of Banking and Financial Institutions employees
<b>Public Safety and Justice</b>		
Metropolitan Police Department	-39	Civilianization Program (+83) Protective Services to Office of Property Management (+81) Transfer to Office of Unified Communications (-211) New subgrants (+8)
Fire and Emergency Medical Services Department	-50	Transfer to Office of Unified Communications (-74) Fire Cadet Program (+24)
Department of Corrections	73	Attributed to new funding, enhancements, and mayoral adjustments
Office of Administrative Hearings	30	Positions transferred from other agencies
Office of Unified Communications	375	A new agency in FY 2005
<b>Public Education System</b>		
D.C. Public Schools	-24	Teacher reduction in force
<b>Human Support Services</b>		
Department of Human Services	98	Increased funding for Youth Services Administration activities
Child and Family Services Agency	35	Increased funding for additional social workers
Department of Mental Health	-221	Departmental restructuring
Department of Health	-22	Administrative restructuring of agency programs
Department of Parks and Recreation	31	New positions to staff 16 new facilities
<b>Public Works</b>		
Department of Public Works	69	New positions for the following services: Recycling (32) Towing (25)
<b>Enterprise Fund</b>		
University of the District of Columbia	-63	Reduction in force of adjunct faculty
<b>Other</b>	32	This variance represents a net impact of other agency FTE changes not detailed above

ferential, the average FTE for FY 2005 will cost \$59,061.

## Performance-Based Budgets

In addition to these District-wide expenditure reports by appropriation title and category, we are also able to show the results associated with expenditures. As the District completes its transition to a performance-based budgeting (PBB) structure for all its agencies, agency budgets now show the programs and activities they provide. In limited cases, service-level information can also be provided. More information about performance-based budgeting is available in the Strategic Budgeting chapter.

## Organization of the FY 2005 Budget and Financial Plan

The FY 2005 Budget and Financial Plan is composed of the following volumes:

- FY 2005 Executive Summary
- FY 2005 Budget and Financial Plan - This volume provides all summary information regarding the District's proposed budget.
- FY 2005 Operating Appendices - This volume provides detailed information about operating funds by agency.
- FY 2005 Capital Appendices - This volume provides detailed information about capital projects and spending by agency.
- FY 2005 Special Studies
- FY 2005 Citizen's Guide to the Budget

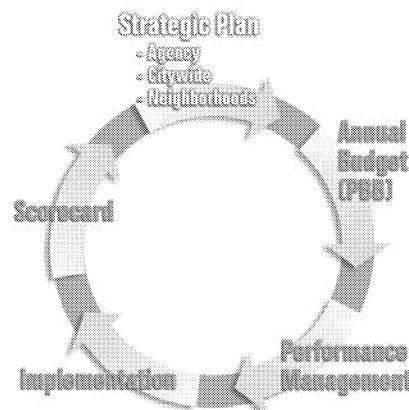
While the proposed budget is similar to last year's submission, there are some notable changes accompanying the CD-Rom version of the FY 2005 budget.

They include:

- Presentation of 24 additional agencies in performance-based budget (PBB) format, bringing the total number of PBB agencies to 57 and, representing over 65 percent of the gross funds budget.\*
- For the first time since the District has implemented PBB, the agency narrative structure has been updated to reflect the focus on agency programs and activities.
- The Local Funds subsidy to UDC is budget-

Chart 1-4

## Strategic Management Cycle



\*For more information on performance-based budgeting, please see the Strategic Budgeting chapter in this volume.

ed within the General Fund, while the rest of UDC's activities are budgeted as a Component Unit (in the "Enterprise and Other" section). In the past, UDC's entire budget had been presented as if it were in the General Fund.

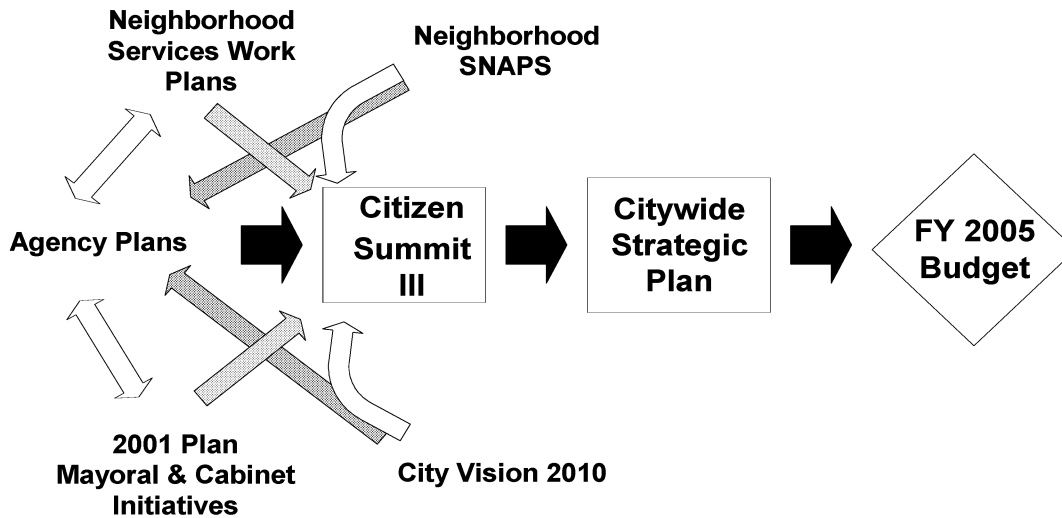
- A budget is included for the Unemployment Compensation Fund, in the "Enterprise and Other" section.
- A separate budget is presented for certain agency trust funds in the "Enterprise and Other" section. In the past, these funds had been included within each agency's operating budget, but the funds are outside of the General Fund and thus have now been moved out of the agency's operating budget. Two trust funds for the D.C. Public Libraries and one for the D.C. Office of Personnel are affected.

The FY 2005 Budget and Financial Plan serves as the main volume of the proposed budget. This volume contains information on District-level and agency level revenues and expenditures. This volume is organized into two primary sections. The narrative section provides general District-wide summary information about the budget, including revenues, expenditures, strategic initiatives, and capital expenditures. The agency section provides agency-specific information about revenues, expenditures, key initiatives, program information (for PBB



Chart 1-3

## District of Columbia Strategic Planning Processes



agencies only), and performance data. Detailed information about agency expenditures can be found in the aforementioned supporting volumes.

### The FY 2005 Budget Calendar

The FY 2005 Budget and Financial Plan is a culmination of a year-long process that starts with strategic and neighborhood planning and culminates with the specific spending decisions in the budget. Some of the critical steps in the budget formulation process are described below in Table 1-6.

### The District's Budget Process: A Brief Overview

The District of Columbia Home Rule Act (Public Law 93-198; 87 Stat. 777) [D.C. Official Code 1-201.01 et. seq.], approved December 24, 1973, prescribes a procedure for the approval of the annual budget for the District of Columbia Government. Using the estimates of the Chief Financial Officer, the Mayor submits a budget to the Council for approval by the Council. Once approved, it is transmitted to Congress, which appropriates the funds.

Under section 424(a)(5) [D.C. Official Code 1-204.24(a)(5)], the Chief Financial Officer for the District of Columbia prepares and submits to the Mayor and the Council annual

estimates of all revenues of the District of Columbia (without regard to the source of such revenues), including proposed revenues. These revenue estimates are binding on the Mayor and the Council for purposes of the annual budget to be submitted to Congress, except that the Mayor and the Council may base the budget on estimates of revenues that are lower than those prepared by the Chief Financial Officer.

Under section 442(a) [D.C. Official Code 1-204.42(a)], the Mayor prepares and submits a proposed annual budget to the Council. In preparing the annual budget, the Mayor may utilize a budget prepared by the Chief Financial Officer for this purpose under section 424(a)(2) [D.C. Official Code 1-204.24(a)(2)].

Under section 603(c) [D.C. Official Code 1-206.03(c)], the Mayor is required to submit a balanced budget and identify any tax increases that shall be required in order to do so. The Council is required to adopt such tax increases to the extent the budget is approved. The annual budget submitted shall include, among other items, a multiyear plan for all agencies of the District government (as required under section 443 [D.C. Official Code 1-204.43]) and multi-year capital improvements plan for all agencies of the district government (as required under section 444 [D.C. Official Code 1-204.44]).

Under section 446 [D.C. Official Code 1-

Table 1-6

## How and When the Budget is Prepared

### Neighborhood Planning

Every other year	Beginning in the summer of 2000, the Office of Neighborhood Action initiated strategic planning in the 39 area clusters (neighborhoods) of the District. The result of these Strategic Neighborhood Action Plans (SNAPs) provide invaluable information and insight to the priorities of the various neighborhoods of the District.
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### Budget Guidance

August - October 2003	The FY 2005 budget process began with the Office of Budget and Planning containing guidelines to how agencies should prepare the agency budget submissions.
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### Citizen Summit

Every other year	On November 15, 2003, the Mayor hosted Citizen Summit II at the new Washington Convention Center to seek citizen advice on the draft Citywide Strategic Plan.
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### Agency Budget Request Development

November - December 2003	Taking into consideration the draft citywide strategic plan, the SNAP's, and following the budget guidance from OBP, agencies developed their FY 2005 budget request and program enhancements.
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### Budget Analysis

December 2003 - January 2004	OBP reviewed agency budget requests for adherence to guidelines, identified opportunities for efficiencies and incorporated revised economic data.
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### Budget Presentation

January - March 2004	OBP provided the Mayor with the baseline budget and program enhancements requested by the agencies. Final budget priorities were determined, and the FY 2005 proposed budget was finalized for submission to the Council on March 29, 2004.
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### Budget Consensus Process

The consensus process is the period when the Council, citizens, interested parties and the Mayor come to agreement on FY 2005 spending priorities. The District is legislatively required to develop and adopt a balanced budget.

#### March 2004

Public hearings on the FY 2005 proposed budget

#### April 2004

Council begins revising, or marking up, the Mayor's proposed budget

#### May 2004

Council approves the FY 2005 Budget and Financial Plan

#### June 2, 2004

The FY 2005 Proposed Budget and Financial Plan is submitted to Congress

204.46], the Council must hold a public hearing on the budget submission and, within 50 calendar days after receipt of the budget proposal from the Mayor, adopt a budget by act. The act is styled as the Budget Request Act (of the year of adoption) and requires only one reading. If the Mayor approves the budget act, he or she submits the act to the President for transmission to Congress.

However, unlike other acts submitted to the Mayor for signature, the Mayor may exercise a line-item veto under section 404(f) [D.C. Official Code 1-204.04]. If the Mayor disapproves an item or provision, he or she must attach to the act a statement of the item or provision which is disapproved and, within the 10-

day period for approval or disapproval, return a copy of the act and statement with his or her objections to the Council.

The Council has 30 calendar days to reenact a disapproved item or provision by a two-thirds vote of the members of the Council present and voting. If an item or provision is reenacted, the Chairman submits it to the President for transmission to Congress. If the Mayor fails to return timely a disapproved item or provision to the Council, he or she shall be deemed to have approved the item or provision and the Chairman submits it to the President for transmission to Congress.

Unlike other legislation, the Budget Request Act does not become effective after a period of

Congressional review; it never becomes District of Columbia local law. Instead, the President transmits the Budget Request Act to the House and Senate Appropriations subcommittees on the District of Columbia. Ultimately, congress

appropriates all funds for the District by a congressional act. This congressional act may, but is not required to, include some or all of the provisions of the Budget Request Act as transmitted by the District.